

This week, in our weekly features article, we look at the National Payments System (NPS) This is currently one of the major undertakings the Solomon Islands Government (SIG) Central Bank of Solomon Islands (CBSI) and other major stakeholders/partners are engaged in.

What is NPS and why is it important?

NPS is an acronym for the word National Payment System. Payment & Settlement System plays a crucial role in effective and efficient circulation of money in the economy thus giving boost to trade & business. It is recognized worldwide that an efficient and secure payment system is an enabler of economic activity. It provides the conduit essential for effecting payments and transmission of monetary policy. Role and functionality of Payment systems have been changing gradually with advancement in products & technologies.

The CBSI Act 2012, in Section 9 (i) clearly states that one of the main functions of CBSI is **“to promote a safe, sound and efficient payment system”**

Since 2012, this act of parliament has provided the mandate for CBSI to carry out this function, and so far, the Bank has been working tirelessly and closely with the Solomon Islands Government (SIG), its major partners and other stakeholders to set out the landscape and working environment that will enable such a system to finally operate in the Solomon Islands.

The objective of the work is to provide Solomon Islands with modern and efficient payment systems, to ensure the financial stability of the market and increase the level of access to finance of the population.

Remarks by former Governor Denton Rarawa at the Consultation on the draft National Payments Systems Bill, 19th February 2018, Heritage Park Hotel was.

“For CBSI, our principal mandate is to maintain price stability and financial stability, and support the economic growth policies of the government. It would be practically difficult for CBSI to pursue those objectives when pertinent risks in our systems are not adequately addressed.”

“Ultimately, we require legislations that are relevant, current and in harmony with our legal framework. I believe the NPS legislation is in harmony with the relevant legislations, accommodates our payments initiatives and is compliant with international best practices.”

Background Information on NPS work in SI

In the last six years, the MoFT and CBSI have worked closely with the World Bank Group (WBG) and the International Financial Cooperation (IFC) to reform the national payments system (NPS). The objective of the work is **to provide the country with modern and efficient payment**

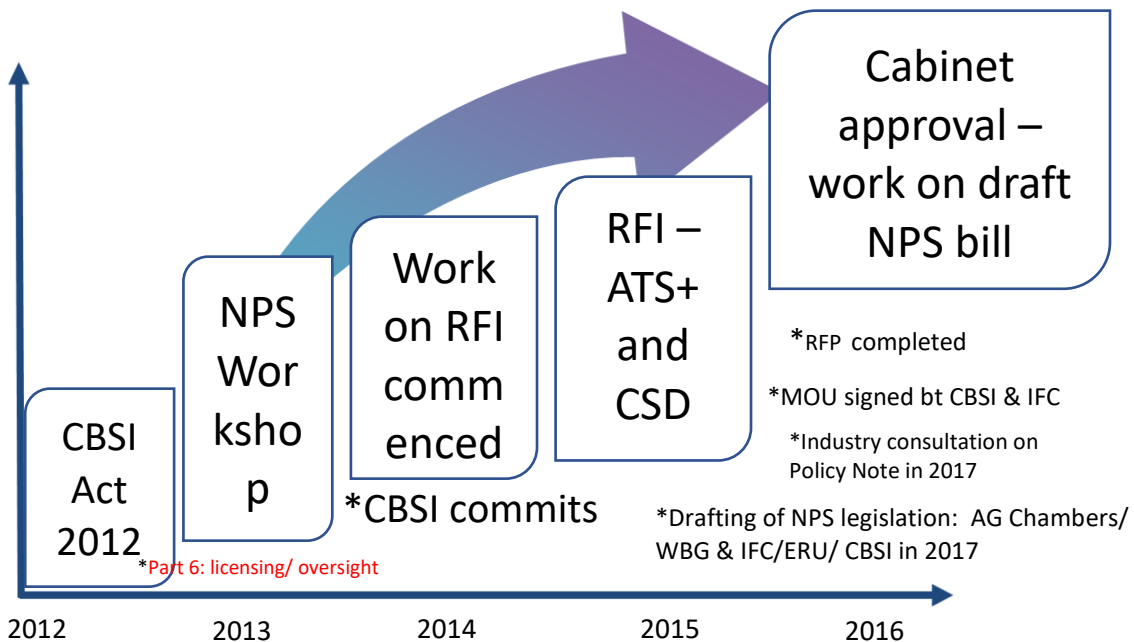
systems, to ensure the financial stability of the market and increase the level of access to finance of the population.

In the Cabinet Conclusion C4 dated 11/02/16, the Cabinet has agreed to have a new law on the NPS; approved the Attorney General’s Chambers to liaise with the Ministry of Finance & Treasury and the Central Bank of Solomon Islands to draft the new law; and agreed to bring to Cabinet in 2016 the NPS Bill for Cabinet consideration. To action the Cabinet decisions, a national payments policy note is necessary in this process.

Therefore, the NPS policy paper formulated in 2016 with the assistance of the WBG Payments System Development Group and IFC explains the next step in this process, which ideally is to reform the legal and regulatory framework in the area of payment systems and allow the CBSI to have the necessary and relevant mandate to regulate, oversee and manage the NPS. In particular, the new legal framework will extend the supervisory responsibilities of the CBSI, in line to the recommendations of the international standards, to: (i) securities clearing and settlement systems; (ii) retail payments; (iii) money payment service providers.

A country-wide consultation on the Policy Note was carried out in 2017. In the same year, the World Bank Payments System Development Group and International Financial Cooperation engaged a legal expert to draft Solomon Islands Payments System Bill.

CBSI is working in partnership with Solomon Islands Government, the World Bank Payments System Development Group, the International Financial Cooperation (IFC) in advancing the country’s payment reform agenda, and are eager to complete this round of consultation on the draft NPS Bill with major stakeholders and the public.



Progress on the establishment of a National Payments System since 2019 (Annual Report Update)

Implementation of the National Payments System (NPS) project under the Pacific Payments Remittances and Securities Settlement (PAPRI) initiative by the World Bank Group/ IFC has started in July 2019. Two missions were successfully fielded by the World Bank Group, IFC and Montran Cooperation in early August and November 2019. The two missions were fielded purposely to discuss the proposed project activities and system functionalities with the key stakeholders – CBSI, commercial banks and Ministry of Finance and Treasury. Deliverables from the two missions included the Project Charter, solution specifications for the Automated Transfer System/ Central Securities Depository (ATS/CSD) payment solutions and integration documents for the participants. The deliverables have been completed and delivered to CBSI in December 2019. Deployment of hardware and installation of the software for the ATS/CSD payment solutions is due in March 2020, which will be followed by training and user acceptance testing in the third quarter of 2020. The final phase of the project will involve data migration, certification and sign off by CBSI in the last quarter of 2020. Meanwhile, the NPS Bill is expected to be enacted by Parliament in 2020.

Current status of NPS from CBSI

Latest Update from Currency Banking & Payments Department regarding the NPS. The NPS Act is still in the Parliament for approval. CBSI noted that the effect of the global Pandemic had slowed the process to fast track all legislative docs. The World Bank rep is looking at early 2021 to implement the NPS operations.

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